

# **South Carolina Board of Economic Advisors**

## **Statement of Estimated State Revenue Impact**

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**Date:** December 11, 2007

**Bill Number:** H.B. 4329

**Author:** M.A. Pitts

**Committee Requesting Impact:** House Ways & Means Committee

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### **Bill Summary**

A bill to amend Section 12-36-2120, as amended, of the Code of Laws of South Carolina, 1976, relating to sales tax exemptions, enacting the "Second Amendment Recognition Act" by establishing the second amendment weekend, exempting from sales tax the gross proceeds of the sale or sales price of firearms sold on second amendment weekend and to designate the Friday and Saturday after Thanksgiving each year as Second Amendment Weekend.

### **REVENUE IMPACT <sup>1/</sup>**

This bill is expected to reduce General Fund revenue by an estimated \$15,000 in FY2008-09. Of this amount, General Fund sales and use tax revenue would be reduced by \$10,000, E.I.A. funds would be reduced by \$2,500 and the Homestead Exemption Fund would be reduced by \$2,500 in FY2008-09.

### **Explanation**

This bill would amend Section 12-36-2120 of the Code of Laws of South Carolina to extend a sales tax exemption to firearms purchased on the Friday and Saturday after Thanksgiving. According to the latest data provided by the US Department of the Treasury, Bureau of Alcohol, Tobacco, Firearms and Explosives, and the Internal Revenue Service, South Carolina residents purchase an estimated 56,892 firearms annually for a total of \$43,849,250 in sales. We anticipate that the tax free weekend will cause potential consumers to postpone firearm purchases for up to two weeks. Multiplying \$43,849,250 in annual sales by a sales and use tax rate of six percent, and adjusting this result for both the sales tax free weekend and the two week postponement period, yields an estimated reduction in revenue of \$15,000 in FY2008-09.

/s/ WILLIAM C. GILLESPIE, PH.D.

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Chief Economist

**Analyst:** Duren

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.